

THE CORNING MUSEUM OF GLASS

**Financial Statements
as of December 31, 2017 and 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 26, 2018

To the Board of Trustees of
The Corning Museum of Glass:

Report on the Financial Statements

We have audited the accompanying financial statements of The Corning Museum of Glass which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Corning Museum of Glass as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Note 15, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

THE CORNING MUSEUM OF GLASS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 12,481	\$ 14,446
Accounts receivable, net of allowance of \$1 for 2017 and 2016	197	307
Other receivable - Rockwell Museum	86	94
Inventories, net of reserve of \$40 and \$61 for 2017 and 2016, respectively	1,330	1,390
Contributions receivable	580	71
Contributions receivable from Corning Incorporated	4,100	-
Prepays and other assets	<u>1,081</u>	<u>1,061</u>
Total current assets	19,855	17,369
INVESTMENTS	39,192	33,009
FIXED ASSETS, net	5,727	5,953
COLLECTIONS	<u>-</u>	<u>-</u>
	<u>\$ 64,774</u>	<u>\$ 56,331</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,174	\$ 1,360
Accrued liabilities	629	613
Deferred revenue	237	240
Current portion of postretirement benefits other than pension	<u>64</u>	<u>65</u>
Total current liabilities	3,104	2,278
ACCRUED PENSION LIABILITY	66	1,056
POSTRETIREMENT BENEFITS OTHER THAN PENSION, net of current portion	<u>1,021</u>	<u>1,065</u>
Total liabilities	<u>4,191</u>	<u>4,399</u>
NET ASSETS:		
Unrestricted	55,545	48,258
Temporarily restricted	4,053	2,714
Permanently restricted	<u>985</u>	<u>960</u>
Total net assets	<u>60,583</u>	<u>51,932</u>
	<u>\$ 64,774</u>	<u>\$ 56,331</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

(Dollars in Thousands) (With Comparative Totals for 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
SUPPORT AND REVENUE:					
Contributions from Corning Incorporated	\$ 41,233	\$ -	\$ -	\$ 41,233	\$ 41,333
Admissions	4,541	-	-	4,541	4,259
Sales from merchandising and food service	10,171	-	-	10,171	9,650
Studio, education, and outreach	3,735	-	-	3,735	3,719
Other revenues and contributions	887	3,394	25	4,306	1,945
Net assets released from restrictions	2,278	(2,278)	-	-	-
Total support and revenue	62,845	1,116	25	63,986	60,906
EXPENSES:					
Operations -					
Curatorial, exhibitions, and research	11,842	-	-	11,842	11,678
Studio, education, and outreach	14,057	-	-	14,057	13,311
Library services	2,741	-	-	2,741	2,705
Visitor services	3,909	-	-	3,909	4,035
Merchandising and food service	8,194	-	-	8,194	8,363
Cost of sales from merchandising and food service	4,417	-	-	4,417	4,256
General administration	9,618	-	-	9,618	9,029
Marketing and public relations	4,487	-	-	4,487	4,046
Total operations	59,265	-	-	59,265	57,423
Acquisitions -					
Purchases for the Glass Collection	1,100	-	-	1,100	916
Purchases for the Library Collection	352	-	-	352	260
Total acquisitions	1,452	-	-	1,452	1,176
Facility expansion	-	-	-	-	223
Total expenses	60,717	-	-	60,717	58,822
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	2,128	1,116	25	3,269	2,084
OTHER CHANGES IN NET ASSETS:					
Interest and dividends	769	40	-	809	690
Net appreciation of investments	3,827	183	-	4,010	1,463
Change in funded status of pension plan	600	-	-	600	2,032
Change in funded status of postretirement benefit plan	(37)	-	-	(37)	(68)
CHANGE IN NET ASSETS	7,287	1,339	25	8,651	6,201
NET ASSETS - beginning of year	48,258	2,714	960	51,932	45,731
NET ASSETS - end of year	\$ 55,545	\$ 4,053	\$ 985	\$ 60,583	\$ 51,932

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

(Dollars in Thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions from Corning Incorporated	\$ 41,333	\$ -	\$ -	\$ 41,333
Admissions	4,259	-	-	4,259
Sales from merchandising and food service	9,650	-	-	9,650
Studio, education, and outreach	3,719	-	-	3,719
Other revenues and contributions	819	1,126	-	1,945
Net assets released from restrictions	<u>943</u>	<u>(943)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>60,723</u>	<u>183</u>	<u>-</u>	<u>60,906</u>
EXPENSES:				
Operations -				
Curatorial, exhibitions, and research	11,678	-	-	11,678
Studio, education, and outreach	13,311	-	-	13,311
Library services	2,705	-	-	2,705
Visitor services	4,035	-	-	4,035
Merchandising and food service	8,363	-	-	8,363
Cost of sales from merchandising and food service	4,256	-	-	4,256
General administration	9,029	-	-	9,029
Marketing and public relations	<u>4,046</u>	<u>-</u>	<u>-</u>	<u>4,046</u>
Total operations	<u>57,423</u>	<u>-</u>	<u>-</u>	<u>57,423</u>
Acquisitions -				
Purchases for the Glass Collection	916	-	-	916
Purchases for the Library Collection	<u>260</u>	<u>-</u>	<u>-</u>	<u>260</u>
Total acquisitions	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>1,176</u>
Facility expansion	<u>223</u>	<u>-</u>	<u>-</u>	<u>223</u>
Total expenses	<u>58,822</u>	<u>-</u>	<u>-</u>	<u>58,822</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	1,901	183	-	2,084
OTHER CHANGES IN NET ASSETS:				
Interest and dividends	654	36	-	690
Net appreciation of investments	1,365	98	-	1,463
Change in funded status of pension plan	2,032	-	-	2,032
Change in funded status of postretirement benefit plan	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>(68)</u>
CHANGE IN NET ASSETS	5,884	317	-	6,201
NET ASSETS - beginning of year	<u>42,374</u>	<u>2,397</u>	<u>960</u>	<u>45,731</u>
NET ASSETS - end of year	<u>\$ 48,258</u>	<u>\$ 2,714</u>	<u>\$ 960</u>	<u>\$ 51,932</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,651	\$ 6,201
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	1,195	1,098
Net appreciation of investments	(4,010)	(1,463)
Change in funded status of pension plan	(600)	(2,032)
Change in funded status of postretirement benefit plan	37	68
Acquisitions for the Museum collection	1,452	1,176
Changes in:		
Accounts receivable	110	162
Other receivable - Rockwell Museum	8	(22)
Inventories	60	(275)
Contributions receivable	(509)	(1)
Contributions receivable from Corning Incorporated	(4,100)	-
Prepays and other assets	(20)	(579)
Accounts payable	814	356
Accrued liabilities	16	11
Deferred revenue	(3)	-
Prepaid pension expense/accrued pension liability, net	(390)	(474)
Postretirement benefits other than pension	(82)	(66)
Net cash flow from operating activities	<u>2,629</u>	<u>4,160</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(969)	(1,268)
Purchases of investments	(5,012)	(3,533)
Proceeds from the sale of investments	2,839	2,964
Acquisitions for the Museum collection	(1,452)	(1,176)
Net cash flow from investing activities	<u>(4,594)</u>	<u>(3,013)</u>
CHANGE IN CASH AND EQUIVALENTS	(1,965)	1,147
CASH AND EQUIVALENTS - beginning of year	<u>14,446</u>	<u>13,299</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 12,481</u>	<u>\$ 14,446</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Dollars in Thousands)

1. THE ORGANIZATION

The mission of The Corning Museum of Glass (the Museum) is to engage, educate, and inspire visitors and the community through the art, history, and science of glass. This involves building, preserving, and promoting the world's foremost collection of objects representing the art and history of glass, and the library of record on those subjects for a broad range of current and new museum visitors; displaying the best of the collection in a permanent exhibition and arranging temporary exhibitions illustrating particular aspects of the art and history of glass, and in doing so maintaining an international reputation for scholarship and research on glass; presenting exhibitions of glass science and technology that educate and involve visitors of all ages in historic innovations and future applications of glass and glass-related materials, and providing visitors with a unique opportunity to view and experience glassmaking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts are reported in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into groups of net assets established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

Net assets of the Museum are classified and reported as follows:

- **Unrestricted Net Assets**

Unrestricted net assets include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of Museum operations. Unrestricted net assets also include net assets designated by management or the governing Board for specific purposes.

- **Temporarily Restricted Net Assets**

Temporarily restricted net assets include resources resulting from contributions of assets whose use by the Museum is limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Museum pursuant to those restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. In the absence of donor restriction that income and gains on donated funds are restricted, such income and gains are reported as unrestricted. Temporarily restricted net assets also include unappropriated earnings on permanently restricted endowment funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

- **Permanently Restricted Net Assets**

Permanently restricted net assets have been restricted by donors to be maintained by the Museum in perpetuity. Generally, the Museum is permitted to use or expend part or all of the income and gains derived from the donated assets, restricted only by the donors' wishes.

Cash and Equivalents

Cash and equivalents consist of amounts on deposit with financial institutions, short-term investments with maturities of three months or less at the time of purchase, and other highly liquid investments, primarily money market funds. At times, the balances in financial institution accounts may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Accounts Receivable

Accounts receivable consist of amounts primarily due for educational outreach, group admission fees and facility rentals. The Museum records an allowance for doubtful accounts based on experience and a review of specific accounts outstanding. Accounts for which no payments have been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Inventories

Inventories consist of items purchased for resale in the Museum's gift shops and are valued at the lower of cost, determined on the average-cost basis, or market. The cost of publication inventory produced by Museum staff is charged to expense as incurred, since the future recovery of such costs is uncertain.

Investments

Investments are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Museum.

Fair Value Measurement

The Museum uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Museum. Unobservable inputs are inputs that reflect the Museum's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Museum's investments are valued utilizing Level 1 inputs. The Museum currently has no assets or liabilities valued utilizing Level 2 or 3 inputs.

Fixed Assets

Fixed asset purchases are capitalized and recorded at cost or, in the case of gifts, at fair value at the date of donation. The Museum capitalizes all fixed assets with a cost of \$5 or more that have a useful life of greater than one year, with the exception of capital expenditures that are related to exhibits that will be in place for less than two years and are deemed to be temporary. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets (ranging from 2 to 40 years).

Deferred Revenue

Deferred revenue represents cash received in advance of revenue recognition by the Museum.

Taxes

The Museum is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code (IRC). The Museum has also been classified by the Internal Revenue Service as an entity which is not a private foundation.

Museum Collection

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets in the statement of financial position. Purchases of, or proceeds from the sale of, collection items are recorded as changes in unrestricted net assets in the year the transaction occurs. Donations of art objects and library materials are not recorded as income in the statement of activities and change in net assets.

Endowment

The Museum's endowment consists of permanently restricted funds established by donors. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions

Contributions received and unconditional promises to give are measured at their fair values at the date of the gift and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

Contributions receivable represents the net present value of amounts pledged. Substantially all pledges are to be received within one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Goods, and Facilities

Materials and other goods and services received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt.

Volunteers have donated significant amounts of time in support of the Museum's activities. However, the value of these services is not reflected in the accompanying statements, as they do not meet the criteria for recognition as set forth under GAAP.

Advertising

Advertising costs are charged to expense as incurred.

Sales Tax

The Museum records sales net of tax collected.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. OTHER RECEIVABLE - ROCKWELL MUSEUM

Employees of the Museum provide services to the Rockwell Museum (the Rockwell) for which the Museum is reimbursed for the cost of salaries and benefits of the specific employees. In 2017 and 2016, the Museum provided services totaling \$1,246 and \$1,092, respectively, to the Rockwell. As of December 31, 2017 and 2016, respectively, the Museum recorded an amount due from the Rockwell for salaries, benefits, and other services of \$86 and \$94. Repayment terms for these balances require quarterly payments, with all balances outstanding at November 30 paid by the end of December each year.

4. INVESTMENTS

The Museum's investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 3,471	\$ 2,871
Fixed income mutual funds	15,004	11,557
Domestic equity mutual funds	16,688	15,360
International equity mutual funds	<u>4,029</u>	<u>3,221</u>
	<u>\$ 39,192</u>	<u>\$ 33,009</u>

Net investment income generated from these investments and from cash and equivalents consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 809	\$ 690
Realized gain on investments, net	1,102	5
Unrealized gain on investments, net	<u>2,908</u>	<u>1,458</u>
	<u>\$ 4,819</u>	<u>\$ 2,153</u>

4. INVESTMENTS (Continued)

The following are measured at fair value on a recurring basis at December 31, 2017:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ <u>39,192</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>39,192</u>

The following are measured at fair value on a recurring basis at December 31, 2016:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ <u>33,009</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>33,009</u>

5. ENDOWMENT

The Museum's endowment included donor-restricted endowment funds (the Endowment). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the management and investment of funds held by not-for-profit corporations and other institutions. The Museum has interpreted NYPMIFA as allowing the Museum to appropriate for expenditure or accumulate so much of an endowment fund as the Museum determines is prudent to the uses, benefits, purposes, and duration for which the Endowment is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, the Museum classifies as permanently restricted endowment, (a) the original value of gifts donated to the permanently restricted endowment, (b) the original value of subsequent gifts to the permanently restricted endowment, and (c) accumulations to the permanently restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is made to the fund. The remaining portion of the endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standards of prudence prescribed by NYPMIFA and the spending policy of the Museum, as described below.

Endowment Spending Policy

The Museum has adopted a target spending policy whereby 4% of the average fair value of the Endowment for the preceding sixteen quarters will be released annually. In developing its spending policy, the Museum considers the following factors which it determines relevant:

1. The duration and preservation of the Endowment;
2. The purposes of the Museum and the Endowment;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Museum;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the Endowment, giving due consideration to the effect that such alternatives may have on the Museum; and
8. The investment policies of the Museum.

5. ENDOWMENT (Continued)

Endowment Activity

Changes in endowment net assets were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, balance – January 1, 2016	\$ 561	\$ 960	\$ 1,521
Investment income	33	-	33
Net appreciation of investments	98	-	98
Appropriations	<u>(61)</u>	<u>-</u>	<u>(61)</u>
Endowment net assets, balance – December 31, 2016	631	960	1,591
Investment income	34	-	34
Contributions	-	25	25
Net appreciation of investments	183	-	183
Appropriations	<u>(47)</u>	<u>-</u>	<u>(47)</u>
Endowment net assets, balance – December 31, 2017	<u>\$ 801</u>	<u>\$ 985</u>	<u>\$ 1,786</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no such deficiencies as of December 31, 2017 and 2016.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, investments are consistent with the quality deemed appropriate in a fiduciary relationship and to which a prudent investor would adhere. All assets have readily ascertainable market values and are easily marketable.

Strategies Employed for Achieving Objectives

The Museum's strategy is to invest its endowment assets in mutual funds. This allows for diversity without the need to track individual securities. Only mutual funds that have been in existence for at least five years are used. Additionally, they have favorable risk adjusted performance records and low expense ratios over time relative to peer funds and their associated benchmarks.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Earnings on the Museum's endowment are restricted by the original donors for specific operational objectives. The Museum's policy is to appropriate as much of the endowment earnings as considered necessary to accomplish these objectives annually, limited to the maximum of 7% of the rolling 20 quarter average of the endowment balance.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following as of December 31:

	<u>2017</u>	<u>2016</u>
Scholarships and awards	\$ 1,841	\$ 1,561
Unappropriated endowment appreciation	801	631
Acquisitions	413	385
Studio projects	163	-
GlassBarge project	608	-
Other	<u>227</u>	<u>137</u>
	<u>\$ 4,053</u>	<u>\$ 2,714</u>

Net assets were released from donor restrictions, either by incurring expenses or by the passage of time satisfying the restricted purposes, as follows:

	<u>2017</u>	<u>2016</u>
Scholarships and awards	\$ 226	\$ 265
Endowment appropriations	47	61
Acquisitions	393	394
GlassBarge project	20	-
Capital projects	1,500	-
Other	<u>92</u>	<u>223</u>
	<u>\$ 2,278</u>	<u>\$ 943</u>

7. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 9,251	\$ 8,940
Equipment	10,065	9,902
Construction in progress	<u>612</u>	<u>591</u>
	19,928	19,433
Less: Accumulated depreciation and amortization	<u>(14,201)</u>	<u>(13,480)</u>
	<u>\$ 5,727</u>	<u>\$ 5,953</u>

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Museum has a funded noncontributory defined benefit pension plan that covers eligible employees. The Museum also has another postretirement benefit plan that provides health care and life insurance benefits for eligible retirees and dependents. The health care component of the plan is contributory, with participants' contributions determined by years of service. The life insurance component of the plan is noncontributory.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Certain employees of the Museum provide services to the Rockwell. Therefore, pension costs are allocated to the Rockwell based on the level of services provided by the Museum's employees.

The Defined Benefit Pension Plan (the DB Plan) was frozen as of December 31, 2016. No new participants will be eligible to participate in the DB Plan and no benefits will accrue after December 31, 2016. In response to the DB Plan being frozen, the Museum modified the 403(b) plan, effective January 1, 2017, to increase the employer matching contribution percentage as well as incorporate a non-elective contribution based on an age-and-service formula.

The Postretirement Benefit Plan (the Plan) is limited to employees hired before January 1, 2007, with 15 years of service. Under the Plan, medical contributions for current and future retirees are limited based on years of service and the retiree life insurance benefit is fixed at \$20. The Plan also eliminates retiree medical insurance upon reaching age 65 for any employee who retired or will retire on or after January 1, 2007.

The Museum uses a December 31 measurement date for all of its plans.

Funded Status

Obligations and funded status of the plans were as follows for the years ended December 31:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Projected benefit obligation	\$ 26,154	\$ 24,607	\$ 1,085	\$ 1,130
Fair value of plan assets at end of year	<u>26,088</u>	<u>23,551</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (66)</u>	<u>\$ (1,056)</u>	<u>\$ (1,085)</u>	<u>\$ (1,130)</u>
Accumulated benefit obligation	\$ 26,154	\$ 24,607	N/A	N/A
Employer contributions	\$ 750	\$ 1,369	\$ 10	\$ 8
Plan participants' contributions	\$ -	\$ -	\$ 18	\$ 17
Benefit payments and expenses	\$ (897)	\$ (816)	\$ (28)	\$ (25)
Effect of curtailment	\$ -	\$ (2,361)	N/A	N/A

Financial Statement Recognition

As of December 31, 2017 and 2016, the following liabilities were recognized:

	<u>2017</u>	<u>2016</u>
As a current liability	\$ (64)	\$ (65)
As a non-current liability	\$ (1,087)	\$ (2,121)

Amounts recognized in the statements of activities and change in net assets consisted of:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net periodic cost (gain)	\$ 361	\$ 895	\$ (70)	\$ (57)
Other changes in net assets	\$ 600	\$ 2,032	\$ (37)	\$ (68)

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

As of December 31, 2017, the following items included in net assets had not yet been recognized as components of benefits expense:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>Prior Service Credit</u>	<u>Net Loss</u>	<u>Prior Service Credit</u>	<u>Net Loss</u>
Unrecognized amounts at December 31, 2017	\$ -	\$ (3,735)	\$ 461	\$ (280)
Expected amortization of unrecognized items in next year's expense	\$ -	\$ 200	\$ (194)	\$ 35

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Discount rate	3.60%	4.00%	3.30%	3.70%
Average annual increase in compensation	N/A	4.50%	N/A	N/A
Expected long-term rate of return on plan assets	3.25%	3.25%	N/A	N/A

The expected rate of return on assets is based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

Assumed health care cost trend rates at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Pre-65 years of age		
Health care cost trend rate assumed for next year	7.25%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%	3.89%
Year that the rate reaches the ultimate trend rate	2075	2075
Post-65 years of age		
Health care cost trend rate assumed for next year	5.00%	5.80%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%	3.89%
Year that the rate reaches the ultimate trend rate	2075	2075

The health care cost trend for pre-65 years of age retirees is assumed to decline .25% per year for the next several years, then continue a gradual decrease until the ultimate trend is reached in 2075. The health care cost trend for post-65 years of age retirees is assumed to decline to 4.50% through 2021 and remain at 4.50% annually through 2055, after which it gradually decreases until the ultimate trend is reached in 2075. The effect of a 1% increase or decrease in the health care cost trend rate would be immaterial to the Net Periodic Benefit Cost and Accumulated Benefit Obligation for 2017.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Assumptions (Continued)

The mortality assumption has been revised as of December 31, 2017 to the sex-distinct RP-2014 Mortality Tables, adjusted backwards to 2006 using the Scale MP-2014 and then adjusted for mortality improvements using Scale MP-2017 on generational basis to reflect newly published mortality tables. The change in mortality tables was made based on the Museum's anticipation of future experience under the Plan and resulted in a minimal increase in benefit obligation.

Plan Assets

In 2016, the Museum had an investment policy for the pension plan with the primary objective of adequately providing for both the growth and liquidity needed to support all current and future benefit payment obligations. The investment strategy was to invest in a diversified portfolio of assets that are expected to satisfy the above objective and produce both absolute and risk adjusted returns competitive with a benchmark of 40% MSCI US Broad Market Index, 10% MSCI EAFE Index and 50% Barclays Long Corporate Index.

In 2017, the Museum's investment policy was updated with the objective to produce both absolute and risk adjusted returns competitive with a benchmark of 50% Barclays Capital Long Government/Credit Index and 50% Barclays Long Corporate Index.

The Museum's pension plan had investments that consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Cash	\$ 78	\$ 69
Money market funds	-	37
Fixed income mutual funds	26,010	11,038
Domestic equity mutual funds	-	10,144
International equity mutual funds	-	2,263
	<u>\$ 26,088</u>	<u>\$ 23,551</u>

The fair value of the Museum's pension plan investments at December 31, 2017, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 26,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,088</u>

The fair value of the Museum's pension plan investments at December 31, 2016, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 23,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,551</u>

Contributions

The Museum expects to contribute \$64 to its postretirement benefit plan in 2018. The Museum does not expect to be required to make a contribution to its pension plan in 2018.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension</u> <u>Benefits</u>	<u>Postretirement</u> <u>Benefits</u>
2018	\$ 1,092	\$ 64
2019	\$ 1,154	\$ 60
2020	\$ 1,214	\$ 67
2021	\$ 1,233	\$ 79
2022	\$ 1,292	\$ 77
2023 - 2027	\$ 6,819	\$ 396

9. 403(b) DEFINED CONTRIBUTION RETIREMENT PLAN (403(b) Plan)

Employees of the Museum are eligible to participate in The Defined Contribution Retirement Plan, a 403(b) tax-deferred annuity program, after 90 days of employment. Each employee determines whether participation in the program is appropriate and the percentage of compensation he or she wishes to defer. Employees may contribute any percentage of compensation up to the lesser of 75% of their compensation or the maximum allowed by law.

Effective January 1, 2017, in conjunction with the changes to the Museum's Defined Benefit Pension Plan discussed in Note 8, the Museum amended the terms of its 403(b) Plan. As a result of this amendment, the following provisions were effective starting January 1, 2017:

- The Museum's matching contributions to the 403(b) Plan can equal up to 5% of the employee's contribution, dollar for dollar.
- The Museum will make additional non-elective contributions for employees based on a point system that considers age and years-of-service.
- The Museum will auto-enroll employees with an initial deferral of 5%, with employees having the right to opt out.
- After the first year of employment, the Museum will automatically escalate employee contributions by 1% each April 1, up to a maximum of 15% .
- The vested period for employer contributed funds is 100% vested after 2 years of service, for employees hired on or after January 1, 2017.
- Participant loans are permitted subject to certain restrictions.

Prior to January 1, 2017, the Museum made matching contributions of 50% of each employee's contributions, up to a maximum of 4% of compensation. In addition, all participants were immediately vested.

The total of an employee's and the Museum's matching contributions is not to exceed the maximum IRC Section 415 limitations of \$54 and \$53 in 2017 and 2016, respectively. In addition, employees age 50 or older were permitted to make catch-up contributions in 2017, not to exceed \$6. The Museum's total matching contributions for 2017 and 2016 were \$616 and \$195, respectively. The Museum's total non-elective contributions for 2017 were \$494. In 2016, the 403(b) Plan did not include a non-elective contribution component.

10. CONTRIBUTIONS FROM CORNING INCORPORATED

Contributions from Corning Incorporated for the years ended December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Operations expenses incurred on behalf of the Museum	\$ 9,684	\$ 9,688
Facility and equipment	13,949	13,572
Cash	17,600	17,850
Facility expansion	<u>-</u>	<u>223</u>
	<u>\$ 41,233</u>	<u>\$ 41,333</u>

Cash contributions from Corning Incorporated are unrestricted and available for the Museum's general operations and acquisitions.

Operations expenses incurred by Corning Incorporated on behalf of the Museum consisted primarily of personnel expenses. The majority of the Museum's facilities are owned by Corning Incorporated and provided to the Museum. All of these are recorded as both support and expenses and are reflected in the applicable operations expense categories in the statements of activities.

In 2016, Corning Incorporated allocated non-capitalizable costs totaling \$223, relating to a facility expansion. This amount is shown as both support and facility expansion expense in the 2016 statement of activities. In 2017, there were no non-capitalizable costs allocated due to the expansion project being completed.

11. ADVERTISING COSTS

For the years ended December 31, 2017 and 2016, advertising costs for the Museum were \$1,426 and \$1,235, respectively.

12. OPERATING LEASES

The Museum has several non-cancelable operating leases, primarily for vehicles and office equipment, which expire through 2021. These leases generally require the Museum to pay all executory costs such as maintenance and insurance. The expense for operating leases for 2017 and 2016 was \$155 and \$156, respectively. The Museum's future minimum operating lease commitments are as follows:

2018	\$ 105
2019	73
2020	12
2021	<u>10</u>
	<u>\$ 200</u>

13. FUNCTIONAL EXPENSES

Functional expenses were as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program	\$ 51,099	\$ 49,793
Administrative	8,861	8,438
Fundraising	<u>757</u>	<u>591</u>
	<u>\$ 60,717</u>	<u>\$ 58,822</u>

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 26, 2018, which is the date the financial statements were available to be issued.

15. GIFTS AND DONATIONS (UNAUDITED)

Gifts of art objects and library materials received during 2017 and 2016 were estimated by the Museum's curators to have a value of approximately \$177 and \$241, respectively.

A substantial number of volunteers donated 13,309 and 12,547 hours to the Museum's program services during 2017 and 2016, respectively. The value of these donated services is not reflected in the financial statements.

In addition to the volunteer hours, the Museum's internship program provided for 5,201 and 4,165 hours during 2017 and 2016, respectively.